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Is Cable Losing Its Muscle?

Cable
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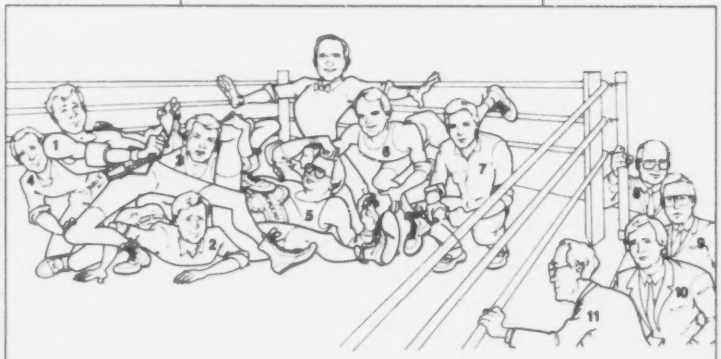

ILLUSTRATION BY CHRISTOPHER KAMMERER

Who's Who on the cover: 1) Jim Mooney; 2) Amos Hostetter; 3) John Malone; 4) Steve Effros; 5) Eddie Fritts; 6) Jack Valenti; 7) Sen. Albert Gore; 8) Rep. John Dingell; 9) Al Sikes; 10) Rep. Ed Markey; 11) Sen. Howard Metzenbaum

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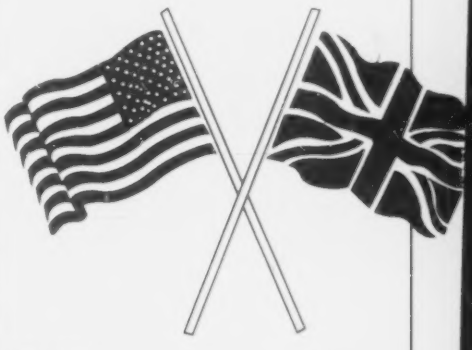

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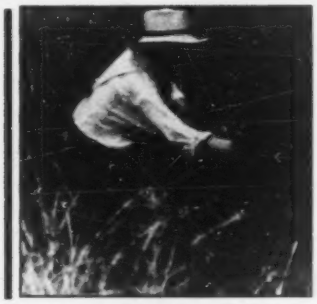

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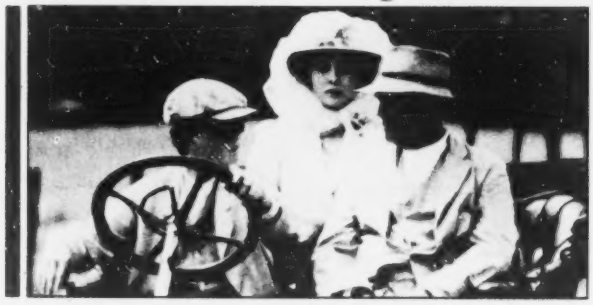
KBL-TV Sees Advertising Sales Boom In Nielsen Metering of San Antonio



KBL-TV will look for big Nielsens off TNT flicks this fall

San Antonio is about to make cable ratings history. Local operator Paragon Cable will soon be the only cable system in the country with access to ratings by daypart and demographic for cable households when A.C. Nielsen makes San Antonio a metered market this fall.

KBL-TV, a subsidiary of parent KBLCOM and the local advertising arm of Paragon, will participate in the metering effort with three commercial stations in the market. That also sets a precedent, as KBL-TV will be kicking in $2.5 million toward the cost of metering over the next seven years.

"It's the first time cable has been treated as a full-fledged partner," says Chancey Blackburn, KBL-TV gm.

Paragon's San Antonio system, the nation's fourth largest, boasts a 64 percent penetration rate (368,000 households) in what is the 42nd DMA. (That will make it Nielsen's smallest metered market).

Nielsen will make quarter-hour and cable demos available in special reports to KBL-TV. "For future reference, this is going to revolutionize cable sales," says Blackburn. She conservatively projects 30 percent growth in local ad sales over the next five years. KBL-TV could hit $5 million in sales this year on the 16 channels where it inserts spots, putting it past sales for Univision affiliate KWEX-TV and KABB-TV, one of two indies in the market.

Blackburn says KBL-TV was sold on metering by a Nielsen report showing cumulative increases for basic cable networks of 40 to 150 percent in several markets, including Minneapolis, St. Louis and Tampa, after metering.

Diary ratings typically under-report cable viewing in early and late fringe, prime access and daytime.

In sports-conscious south Texas, NFL games on ESPN and TNT will score strong numbers along with ESPN's Major League Baseball. KBL-TV figures movies on TNT and USA w ll draw in prime time along with specials on The Discovery Channel.

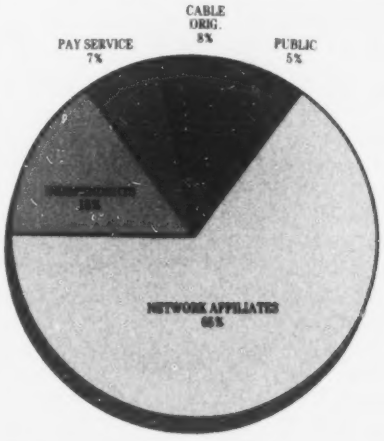
"More and more, we're able to compete with the broadcast networks' prime time programming," Blackburn says.

KBL-TV figures USA Network, ESPN, TNT, Nickelodeon and Home Sports Entertainment will all come big in the Nielsen numbers beginning this fall. One San Antonio Spurs game on HSE this season drew the equivalent of an 8.1 rating in cable households, according to a phone coincidental survey. Interestingly, HBO draws a prime time rating equal to local indies among San Antonio viewers in Nielsen diaries now.

"From our point of view," says Blackburn, "the big three will become the big four."

—Richard Tedesco

WHAT DO VCR HOUSEHOLDS RECORD?



Top Recorded Programs During November 1989

Rank	Program	Network	VCR Households
1	Small Sacrifices Pt. 2	ABC	1,565,700
2	Till We Meet Again Pt. 2	CBS	1,197,300
3	ABC Sunday Night Movie	ABC	828,900
4	CBS Sunday Movie	CBS	828,900
5	NBC Sunday Night Movie	NBC	828,900
6	All My Children	ABC	736,800
7	General Hospital	ABC	736,800
8	Barbara Walters Special	ABC	644,700
9	LA L	NBC	644,700
10	Rose	ABC	644,700
11	CBS Special Movie—Mon.	CBS	644,700
12	NBC Monday Night Movies	NBC	644,700
13	Days of Our Lives	NBC	644,700

Source: Nielsen Media Research

Indians on TNT

Ted Turner just keeps generating ideas being translated into on-screen projects.

His latest concept is a lengthy dramatic mini-series on the American Indian. "It's an idea Ted is really interested in," says Scott Sassa, TNT executive vp.

The planned 20-hour project, currently in development, is still two or three years away from air on TNT. *—R.T.*

1983-1984			
KEY LAWMAKERS	NCTA	NAB	INTV
Hollings (Pres.)	2,000	3,000	
Hollings (Sen.)	3,000		
Exon	1,000	2,000	
Gore (Sen. race)	2,000	2,000	250
Gore (House race)			250
Gorton	3,000		
Pressler	5,000	2,000	
Stevens	3,000	1,500	
Bates	3,500	600	250
Bliley	3,000	1,000	
Boucher	500		
Bryant		850	250
Collins	750	1,000	
Dingell	3,050	2,000	500
Eckart	1,200	850	250
Fields	3,000	850	250
Leland	3,000	500	250
Lent		500	
Markey	1,000	250	
Moorhead	1,500	1,000	250
Nielson	2,000	500	
Oxley	3,500	1,500	
Rinaldo	2,250	3,000	500
Ritter	3,000	1,000	300
Scheuer	1,000	200	
Swift	7,000	2,250	1,500
Tauke		2,500	250
Tauzin	3,000	2,000	250
Wirth			1,000
Wyden	2,000	750	
Total contributions to all candidates:			
Democrats	142,900	59,925	6,650
Republicans	85,300	75,950	4,175

1989-1990 (1st Quarter)			
KEY LAWMAKERS	NCTA	NAB	INTV
Exon	10,000	3,000	
Gore			5,000
Gorton		1,000	
Hollings		5,000	2,000
Packwood	120		
Pressler	2,000		
Stevens	4,999		
Tauke (Sen. race)		5,353	
Bliley	5,000	1,200	
Boucher		2,400	850
Bryant	2,000	700	1,500
Collins	1,000		
Dingell	5,000	1,000	1,000
Eckart	5,000	800	
Fields	3,000	500	
Leland	1,000	500	500
Lent	5,500		
McMillen	1,000		
Moorhead	4,000	1,100	500
Oxley	700		
Rinaldo	5,000	1,200	300
Ritter	5,000	300	
Schaefer	5,000	1,350	
Scheuer	2,000		
Swift	1,350	1,700	700
Tauzin	2,000	1,500	
Wyden	2,500	1,600	
Total contributions to all candidates:			
Democrats	182,200	73,475	16,550
Republicans	119,475	78,353	4,300

TV Interest Groups Grease The Palms

Just about all lobbying groups (CATA is one exception) have taken on as part of their responsibility the funneling of contributions to political candidates. The three main players in the tv industry do so under the aegis of political action committees with names like Cablepac, Tarpac and INTVpac.

Decisions on how much to give to key member of Congress are based on many factors. The money may go to someone who has been a friend of the industry in the past, someone the group wants to win as a friend for the future, or even someone who is a special friend of an association president or of an industry leader.

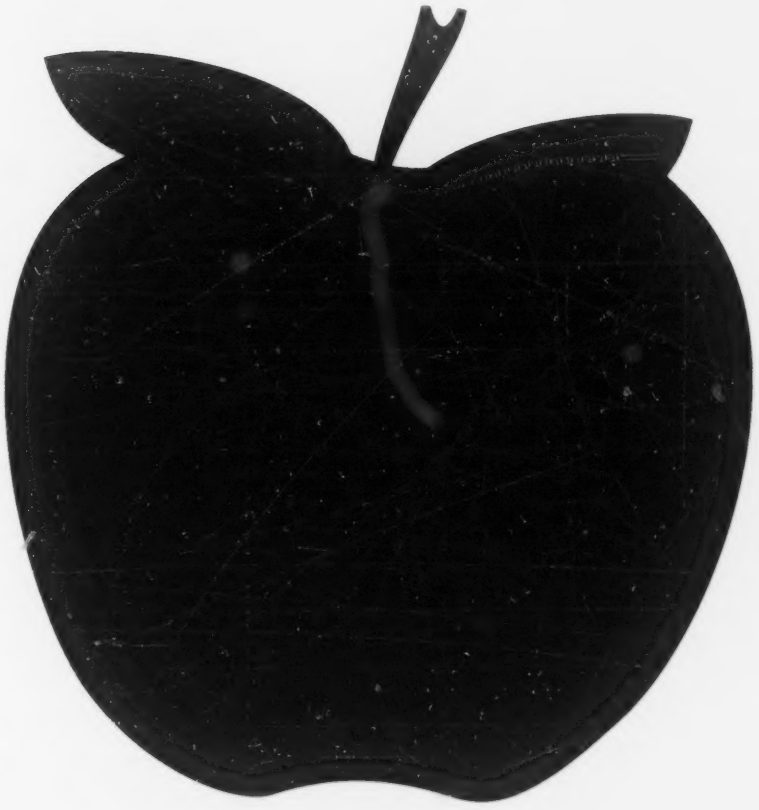
Associations also have other ways of getting money to members of Congress, such as honoraria, which do not show up on campaign reports.

The following table, compiled from Federal Elections Commission reports, lists only members who now serve or did serve at the time on communications panels in the House and the Senate. It demonstrates that the cable industry put much more money into contributions than did broadcasters during the years involved. NAB President Eddie Fritts acknowledged in an interview that "Our guys are late coming to the party on that." ■

The New York Experience

Tracing the trials and tribulations of interconnecting advertising's capital city

By Joe Terranova



It's been characterized as reinventing the wheel, creating a better mousetrap, controlling one's destiny and stabbing your peers in the back. Two-thirds of New York operators recently plunked down a total of about $120,000 to study the feasibility of a marketwide advertising interconnect. And while the results won't be known for six to eight weeks, the process bears watching.

The casual reader of CAB literature might think New York already has an interconnect, and in a sense, it does. Cable Networks Inc., a division of Rainbow Advertising Sales (RASCO) which is owned by Cablevision Systems, represents virtually all of the ADI to regional cable advertisers. It does so, however, without dedicated inventory or control over pricing, and with lots of bicycled tapes. There's even a conflict-of-interest cloud hanging over its head.

Cablevision is the area's largest MSO, and RASCO sells time on Cablevision's regional net SportsChannel. But both conditions existed long before Cablevision purchased CNI from 3M three years ago and brought the market together under RASCO. And while making other operators uneasy, Cablevision's influence in the New York ad market was never a cause worth spending thousands, maybe millions, of dollars to rectify. Until now.

With one fell swoop, the Time Warner merger put it on equal footing with Cablevision in New York. A more gradual change has been systems' growing ad sales sophistication. Finally, other interconnects have been gaining ground on New York, both in the headlines and on the ledger sheets.

That last item may have been the flashpoint for years of brewing mistrust. What others initially poked fun at as "star wars"—satellite spot delivery—may be turning into a money tree for Adlink, managing partner of the Los Angeles interconnect. The Greater Philadelphia Cable Interconnect is weighing a similar move, but the Bay Area Interconnect has also prospered with its switch from microwave to

low-tech bicycling.

The most obvious trait these and other blossoming interconnects share is equity participation among operators. Without it, New Yorkers are left to fantasize about lost financial opportunities. By various accounts now a $40 million market, New York is said to have the potential of reaching $75-175 million in annual cable ad sales revenue, depending on who's wearing the turban.

Under that kind of greenback-induced high, the market's current arrangement with CNI is pure Near Beer. "Anybody can hire a sales manager and 12 salesmen for $2.8 million a year," pans one outside observer. (That's figuring a 25 percent rep fee on $13 million in gross regional sales after agency commission.) But one insider points out that area tv stations and systems do earn about the same percentage of their total ad revenues—30 and 5-40 percent respectively—from national sales. Conceding this may be the natural order of things, he adds: "What do these cable wizards know that can change that?"

Predictions from both sides seem based on some potentially misleading assumptions. One is that regional is just a bigger version of local sales. As someone who has had more than his share of disappointments with interconnects recounts, "It's a totally different business. To be in it, you need to chuck out over 25 percent of your inventory. And say goodbye—don't get involved in analyzing regional on a local pro forma basis. Because at that point, you're not a geo-targeting narrowcaster any more. You're a broadcaster."

The implications here are frighteningly literal, and several New York operators (C-Tec, Sammons, Cablevision Ind., Continental and Maclean Hunter's Jersey City system) have excused themselves from the conversation and the four cent fee asked to finance the Malarkey Taylor/Thom McKinney study.

The characteristics of any market make some franchise areas more valuable than others, but few can compare with New York's diversities.

"I don't think the outlying areas are going to get national dollars whether they're part of a hard interconnect or not," remarks one dissenter. If so, the $25-60,000 cost per insertion point (over 60 in the ADI) for groundbased satellite equipment is a poor return-on-investment. But ironically, with the next breath, that same sales director reports 15 percent of his revenues in national business. An additional 5 percent could easily pay for the hardware in six months.

The real concern here is the other 85 percent of his business: "The local market is where I make most of my money and where I should put my best foot forward." For this sales director and others, regional advertising has come to mean low rates and premium inventory plus agency and rep commissions when local sales are growing at 20-30 percent.

However, operators' incentive to turn some of this money-in-hand into seed might be that they're going to run out of business. "There are only so many people who are going to buy just one system," cautions CAB vp of local sales Ron Fischmann. "When they find they've hit the wall with price increases to their car dealers, then systems will wish they'd taken some of that inventory and established their agency business," seconds Dave Bender, chairman of the research firm Bruskin & Associates.

For operators who see this as gas-war pricing in a boom, Sue Schmalzbach, sales director for national rep NCA's New York office, assures them: "Price is becoming secondary to systems executing schedules as they are ordered. If you have 20-30 systems that are part of a soft interconnect, the likelihood of running into a scheduling problem is far greater than the same schedule run on a hard interconnect."

Still, it's a mistake to think improved delivery and verification will be the only holes your money will drop into in the beginning, warns JWT senior vp Jean Pool. She advocates two rate cards, one giving a discount to regional clients and another offering zones or the interconnect to national advertisers.

Those attending April's CAB convention will remember Pool's if-it-looks-like-a-duck comparison of cable and broadcast sales, which was met by a chorus of "we're not ducks."

The condition Pool describes, a dual rate card, seems to be already

A *New* New York Interconnect?

The players at a glance	Subs (000)	% of Cable Ad HH
Cablevision Systems	853	27
Time Warner (Paragon)	673	21
UA Entertainment	321	10
Maclean Hunter	239	7
TKR	230	7
Comcast	226	7
Monmouth/Riverview Cable	122	4
Adelphia	88	3
C-Tec	88	3
Sammons	86	3
Colony	68	2
Cablevision Industries	65	2
Continental	53	2
TOTAL	**3,112**	**98**

Source: CNI

happening in Los Angeles. ("Local cost has nothing to do with what regional time will go for," agrees Adlink president Alan McGlade.) But Bill Wiener, of Advertising & Media Advisors, doesn't give it much chance of spreading quickly.

"On a local basis, cable operators have become very smart marketers, competing aggressively against radio and newspapers," says Wiener. As a result, he scoffs, "Anyone who looks at this $1-billion tv market and wonders why cable's only getting $13 million is kidding himself [because] the pricing is completely out of whack."

1990 Regional $$$ Per Insertable HH

Interconnect	Regional Sales (000,000)	Cable Ad HH (000)	$ Per Sub/Yr.
Boston	2	1,032	1.92
New York*	13*	3,210	4.05
Philadelphia (GPCI)	5.6*	1,200	4.66
Los Angeles	7	1,350	5.19
San Francisco	8	1,050	7.62

Source: Interconnects, *Paul Kagan Assoc.

Surprisingly—or not, depending on how well you know him—BAI president Bill Stanfield concedes that, in the past, "We've increased our rates, sometimes with no methodology and sometimes pretty outrageously." Instead of two rate cards, he sees "ESPN, TNT and CNN becoming so valuable that smaller clients are not able to afford them." Those will provide the broad cpms he'll need when wearing his whole market, broadcasting hat for agencies. Then his staff can match smaller advertisers with smaller nets.

Going Soft

If New York operators learn anything from their study, Stanfield hopes it's the importance of zone sales. Two years ago, BAI went soft when covering the remainder of the market via microwave and installing addressable headends were judged to be cost prohibitive. Bicycling now allows advertisers to choose between eight trading zones and the whole interconnect. As a result, 41 percent of his local and 13 percent of his national business are zone buys, with overall gross up 100 percent.

Conversely, about 400 miles to the south, "If an operator wants to buy two or three systems, we just send them to the systems," explains Adlink's McGlade. "That's why you have local sales staffs."

In McGlade's case, God knows, it's not a hardware shortcoming. His systems will gradually upgrade to 13-channel insertion capability beginning in August. And, if he only had a full-time transponder (annual cost: $800,000-$1.6 million), those addressable headends could accept real-time insertion. (As it stands now, he rents a couple of hours weekly on the bird at $500 a pop.)

Others say that McGlade is motivated by politics—even with equity, he must keep off local sales managers' toes. And while BAI's Stanfield calls McGlade a pioneer, he also suggests the zone business isn't worth McGlade's time, and shakes his head "over how many local sales dollars are lying under all those rocks." Furthermore, with 40 L.A. systems doing $500,000 each and McGlade another $10 million in regional sales, he adds, "You have a $30-million market and over 200 salespeople. How terribly inefficient."

Lost Valley

Maybe. But unless you're working out of a market where there are no local sales operations—let's call it The Lost Valley—it's unlikely that most systems would consolidate their ad staffs. BAI, Seattle's Northwest Cable Advertising, the Dallas interconnect (exhumed under Cable AdNet) and the new operator-owned Atlanta interconnect all pre-date the normal system-level evolution. Up until Wometco and Prime took over Atlanta from CNI a couple of months ago, there wasn't one system employee selling time in the market, according to local manager Jon Ozor.

With New York and all its fully-developed personalities, an integrated sales team seems as much a prospect as world government. But another sales director wonders why, if the aforementioned interconnects are such good models, those involved who also have properties in the market (Colony, Continental, Comcast, Sammons and UA) "aren't pointing to them?" Then he answers his own question: "Because we want to be the best."

For example, dedicated inventory and pricing flexibility are usually the two biggest points of contention between systems and regional managers—whether there is shared equity or not—and one of the first things that every successful interconnect points to as the reason for its success. Yet this sales director is not sure it's necessary in these days of "instant communication."

The Plot Thickens

This is presumably a reference to a program like CNI's OSCAR, an accounts receivable system now in development and said to be capable of online trafficking. Of this last idea, another New York sales director who is an Adlink partner remarks, "I don't like turning over inventory, but online control is difficult to do." He is not alone, and this may be the first chink in Adlink's armor, just as it may be the seed that develops into the tree dividing NY operators.

In its second year of operation, Adlink now takes 25 percent of the

inventory from affiliates' top five networks. What it can't sell, it turns back. But as it becomes more successful, it's going to want more time, and Stanfield predicts this will be a constant struggle as Adlink seeks its stride. And it has equity! What chance does CNI or any rep have of getting the things it needs to tend its business?

For his part, McGlade suggests that New Yorkers' criticisms of interconnects are better directed at repped markets. *His* inventory (you know it must hurt some people to see that black and white) runs across all dayparts, "Whereas in a rep situation, the tendency is to just turn over primetime orders."

Reps in general seem to agree that systems' involvement with interconnects is a function of ad sales maturity and that owning a piece of one doesn't speed the process. An outside operator who participated in a failed equity-based interconnect concurs. "I don't think there's anything magic about equity *or* third-party deals. You need people with a consistency of thought, a common objective and without hidden agendas. A good contract with a third party is a great way to go."

With that as a yardstick, it's surprising regional sales in New York work as well as they do now. Dispelling any notion of like-mindedness, one insider admits, "We've got 16 different operators and 16 different opinions." And this market has more inconspicuous airport runways than it does "hidden" agendas. The only common objective—profit motive—is *too* common to base a partnership on. But that may not stop ops from trying, a fact which reps seem to sense.

Through kicks and screams, a resolve can be heard in reps' voices as they discuss the shifting control of interconnects they may have built. (Look at Atlanta, where operators brought the interconnect, and in the process, CNI insertion equipment, in-house). The rep for a top-10 interconnect underscores the role reps have played in developing regional markets: "I was ready before they were." Then he adds the standard rep refrain, "And those systems have earned net operating income on sales from day one."

For those reasons, another rep suggests New York operators have "the best deal going" with CNI and that the market's uneven development makes an equity-based interconnect unlikely. "You've got some operators doing $28-29 per sub, while others are at $8-9. There are some people out there just doing it better than other guys."

While an evenly developed market may be ideal, most agree it's also unrealistic. But one New York sales director suggests it may be a moot point. "I'm not sure CNI is the intended player here."

Conversely, two New York operators not participating in the study believe CNI should have to foot the bill for it and maybe, ultimately, the building of a hard interconnect. (They were obviously not in the majority, since CNI was not approached about doing either.) Adds one, "If operators aren't happy with the company repping them, then they should sit down and work out a way for them to do a better job. It would be a hell of a lot easier and less expensive to turn CNI around than to reinvent this thing."

At least New Yorkers seem to agree that zone sales are critical and that likely divisions include metro, Long Island, mid-Hudson Valley, Westchester and Fairfield Counties, and northern/central/southern New Jersey. That's assuming all those areas participate in any future developments.

"If we find there's a vote taken and it's a split market, for us to come in at that point we'd have to decide whether we'd want to make some of our inventory available at a lower rate," offers one study participant. "It has to be a win-win situation. Otherwise, we're out."

Most outsiders seem to agree that the split market scenario is worst case. Obviously, Time Warner's interconnect of its Manhattan and Brooklyn/Queens properties is a go regardless. And Cablevision is not about to give up on regional business, whether it's the whole ADI or not.

"I don't think even the biggest companies will be able to maximize their potential if they play it alone," comments an executive of one big company. "It's hard for me to believe people could be stupid enough not to understand that." Another sizes things up this way: "You've got a couple of big players, then there's the rest of us. So it's going to be difficult to come to a unanimous decision. But I think we'll get there."

Citing a laundry list of interconnect experiences, a sales director remarks how he doesn't know of one that has ever been profitable. "And if operators are thinking about investing in an interconnect to make money, then they're in it for the wrong purpose." The *right* purpose, he says, is pushing regional sales revenues down to the local level. Another operator talks about a *new* New York interconnect that might function as a service organization, and draws an analogy to the area's existing marketing co-op.

The study will be back in July, with some optimistic souls expecting a resolution within three months. (Mark that on your calendar: October '90—hell freezes over.) There is general speculation among operators that Cablevision would be amenable to opening up CNI to investors. As one remarks, "[Chairman] Chuck Dolan is a businessman first." But for a businessman, pride may be easier to swallow than the $5 million in capital improvements Dolan has put into CNI since the purchase. Maybe that means CNI becomes New York's managing partner and it's a wash. However it plays, look for everyone to start having a whole new appreciation for CNI. ■

New British Invasion

BBC Lionheart has chosen U.S. cable networks to help conquer the American market by licensing archival programs and co-producing

By Richard Tedesco

Black Adder **landed A&E a surprise ACE Award for best comedy series, then sold 700,000 cassettes in the U.K.**

The British are coming.

It's not redcoats this time, but the British Broadcasting Corporation. And actually, this friendly assault on American cable networks is already well underway, with BBC Lionheart Television spearheading the effort.

Its immediate goal is to increase exposure for the world's largest English-language TV archive. Cable is an increasingly important part of that picture, as more than 60 percent of Lionheart's license fees here are with cable networks—a large jump from the 15 percent those deals represented earlier in Lionheart's six-year history.

Arts & Entertainment Network, The Discovery Channel, MTV, Turner Broadcasting, Lifetime, Bravo and Home Box Office have all done business with BBC, and virtually all U.S. cable networks are having discussions with the BBC in terms of either acquisitions or co-productions. As Lionheart, its American distribution co-production arm, has become more aggressive in pitching program possibilities, cable networks have realized the vast range of what's available, from documentaries to comedy.

"The BBC doesn't just do British mystery pieces or British genre pieces," says Pat Fili, senior vp of programming for Lifetime.

Licensed programming sold in the U.S. market and co-productions with cable and public television partners currently represents $30 million-$40 million per year. Jack Masters, president and ceo of BBC Lionheart, sees that revenue soaring to the $100 million range in the next five years.

That projection includes sales to the Big Three broadcast networks (a market the BBC wants to crack), as well as growth in the home video market, an area of top priority for BBC Lionheart in its strategy for this British invasion. "Sell-through video is going to be the answer for us," says Masters. "We'll be off and running in building the BBC name."

Lionheart also plans to add another revenue source by launching or acquiring an educational video venture in the next two years, similar to endeavors established by cable programmers in that venue.

Masters expects home video sales to equal program sales to cable in two years, as it seeks marketing outlets through video-of-the-month clubs and catalogue sales. (CBS Fox Video currently distributes some BBC home videos here.)

Despite the growing presence of BBC shows on U.S. TV screens, Lionheart feels its parent company still suffers from an absence of any clear image in the minds of American viewers. "There's a huge amount of the American public that doesn't know *anything* about the BBC," Masters says.

The expansion of its U.S. cable connection gives the BBC the opportunity it needs to change the misperception other Americans have of its programming, according to Sylvia Delia, vp of ancillaries for BBC Lionheart. "Everybody thinks of us as period costume drama, *Masterpiece Theatre*, and we're a hell of a lot more," says Delia.

The steady expansion of the BBC's

business with American cable networks has mirrored the maturation of those networks. "Our business has grown with the growth of cable," says Sarah Frank, senior vp in coproductions for BBC Lionheart TV. "BBC is like a big department store made up of little boutiques."

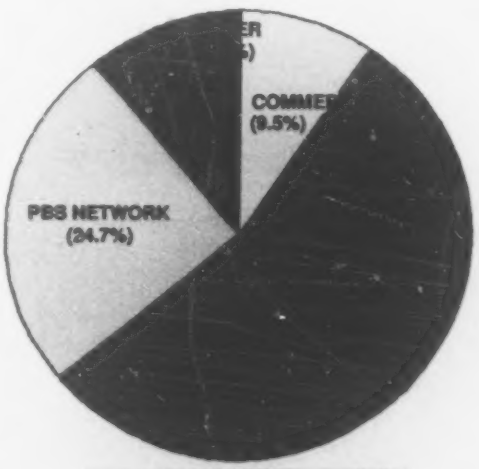
A&E First To Cultivate

A&E was the BBC's first U.S. cable partner, in a relationship that has lasted as long as A&E has existed. A&E still claims right of first refusal on BBC dramas, some documentary features and other categories and remains the BBC's biggest cable client. It airs between as much as 120 hours of BBC product each year, representing about 15 percent of the schedule.

Nickolas Davatzes, A&E president and ceo, recognizes the transition the BBC has made in its mission to distribute programming in the U.S. "Ten years ago, their primary client was PBS. Now they're interested in talking with all of the cable networks, the broadcast networks and the pay networks," he says.

Much of the product A&E originally acquired from BBC was second-run after premieres on PBS. It is more frequently landing first-run fare these days, such as the off-beat comedy *Black Adder*—a big home video hit to the tune of 700,000 units sold in the United Kingdom.

The biggest difference in A&E's relationship with the BBC is in the area of co-productions, which now represent 65 percent of the dollars A&E invests in BBC product for series such as *All Creatures Great and Small*. The desire to put its own stamp on productions, along with having a voice in the development of programming to serve its audience, is defining the dynamics of A&E's interaction with the BBC.



BBC/LIONHEART TELEVISION
WRITTEN SALES MIX (YEAR 1987)

BBC/LIONHEART TELEVISION
WRITTEN SALES MIX (YTD 1989/90)

"We're interested in having a say in what is being developed and how it's being developed," Davatzes says.

From the BBC's point of view, U.S. cable networks have matured considerably in the last several years, both in their ability to pay the freight for first-rate, first-run shows. But there is a sense at Lionheart that U.S. cable programmers also are simply savvier about their business.

For its part, the BBC is more sensitive to developing product that is adaptable to the U.S. TV market. "The BBC constantly evolves in the type of programming that they've produced from year to year," Lionheart's Delia explains. "We've found new outlets for different types of programming from within the BBC stable so that we're expanding the nature of our programming here."

Lionheart has improved communications with BBC producers in London in order to convey the sort of parameters it considers in pitching productions to programmers here. So, for example, the BBC has been tending to produce fewer costume dramas. They also observe other differences in the nuances of the American market, according to Delia: fewer six-part series, a typical BBC practice, are

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BBC's program development for Turner Broadcasting includes *Trials of Life*, hosted by David Attenborough and scheduled for 1991

NEW BRITISH INVASION

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produced and documentaries are done without subtitles (the English don't mind reading their television screens; Americans do).

Since Lionheart also co-finances some productions, it can exercise some influence over the parameters of a particular production. "The considerations of what will work in the U.S. are known to the BBC producers in London," Jack Masters observes.

Providing Creative Input

Communication between U.S. cable programmers and their BBC counterparts also has been enhanced as their respective business relationships have evolved. That is particularly true in the area of co-productions, where cable is far from a silent partner. "It's now no longer just a financial relationship. It's a creative partnership right from the start," says Eileen Opatut, vp of co-productions for BBC Lionheart TV.

"They're very receptive. They're really opening up," says Chuck Gingold, senior vp of Discovery's U.S. programming, a trend he sees occurring with all international programmers.

The other notable change Gingold notes in the BBC's approach is an effort to redouble its efforts to market product from its extensive library and to develop co-productions with U.S. partners. "They've become more aggressive where they weren't before," Gingold observes. "And they realize they have a lot of quality programming that, properly positioned, can be valuable for cable networks in the U.S."

The first instance of Bravo's involvement with the BBC was early last year when Jonathan Sehring, Bravo vp of programming, called to make a deal for *The Lenny Henry Show*, the sort of comedy series most American viewers wouldn't naturally associate with the BBC. It was also the kind of show BBC Lionheart hadn't thought about pitching at the time. "The way BBC was structured, they never tried to sell to cable before," Sehring says.

Another BBC comedy series, *A Bit of Frye and Laurie* debuts on Bravo in September. Bravo has also done a deal for a minimum of 30 hours of BBC programming—to be culled primarily from the *Masterpiece Theatre* and *Mystery* series over the next two years.

Bravo's BBC lineup could include titles such as *Les Miserables*, Tolstoy classics *Anna Karenina* and *War and Peace*, not previously seen in the U.S., and a treatment of Dostoevsky's *Crime and Punishment*. "All of these titles we're considering are known entities to American audiences that have gotten little or no exposure. These things are almost like lost masterpieces in this country," Sehring says.

"Americanizing the BBC"

Discovery's efforts to "Americanize" programming it takes from the BBC is evident in its plans for *The Best of the BBC*, which debuts later this fall, as part of a three-year deal. Margot Kidder will be the on-air host for the series, consisting of 30 hours of shows the first year, including *America* with Alistair Cooke.

Next up on TDC is a co-production with BBC of 10 half-hours originally aired in the U.K. as *Nature*, to be called *Global Warming* when it begins airing on Discovery this summer, to be followed by a second sequence of shows later this year. TDC will add an American host and some additional reporting to the environmental series, according to Greg Moyer, senior vp of TDC's programming group.

A three-part BBC series titled *A Teacher's Story* also airs later this year as part of TDC's educational service. And Discovery has a verbal agreement with the BBC on another major project, according to Moyer.

Moyer proudly points to the BBC

> **'They've become more aggressive where they weren't before. And they realize they have a lot of quality programming that, properly positioned, can be valuable for cable networks in the U.S.'**
>
> *Chuck Gingold*

picking up TDC's *Ivory Wars* for its own air as one more sign of Discovery's maturity. Its ability to deal with the BBC in developing is an indication of the economic evolution of basic cable networks in the last several years. "There's a reality about the dollars we were able to spend in our first years on the air," Moyer says. "We just weren't a player in co-productions."

A&E, which remains BBC's biggest co-production partner, sees the BBC trying to take advantage of the worldwide environment in TV programming. "There's no question that there is an explosion in global co-production and BBC wants to take part in that," says Brooke Johnson, A&E vp of programming.

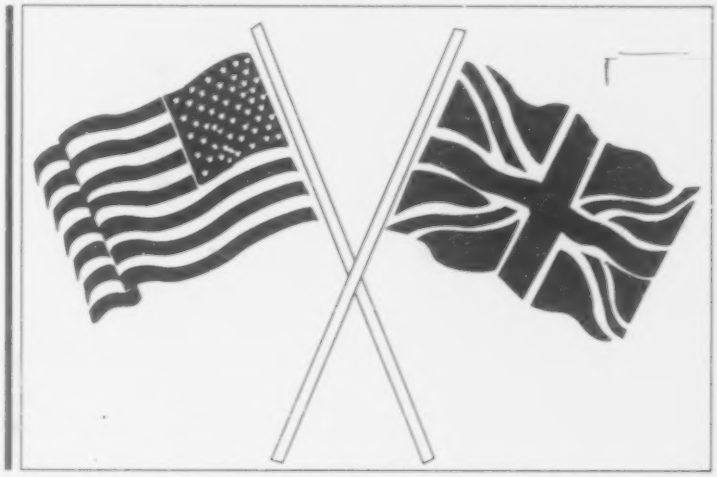
Playing the program development game these days is typically a high stakes business and it's imperative for the BBC and it co-production partners to maximize their dollars in order to get some things beyond a conceptual stage. "For certain projects, you need partners if you want to get them done," Sarah Frank observes.

She cites the example of *Trials of Life*, a 13-part series on animal behavior being co-produced with Turner Broadcasting for a 1991 debut. The three-year project, being filmed on location all over the world, will bear a price tag of $9 million to $10 million when it's completed, according to Frank. *Green Man*, a dramatization of the Kingsley Amis novel featuring Albert Finney, is another project Frank says could never have been executed without a co-production deal.

In some cases, PBS affiliate stations and cable networks have even become programming partners. Earlier this year, Lifetime aired *Hillary in Hiding*, the story of Hillary Morgan, the young girl whose mother had sought to conceal her whereabouts because of alleged sexual abuse at the hands of her father. After Lifetime repeated the show, a co-production with the BBC, in April, it sold rights to PBS and the special ran as a segment of WGBH's *Frontline* series.

Co-Productions to Double

Whatever variations may occur in the co-production area, Frank foresees the level of activity in co-productions with U.S. partners doubling over the next five years. The balance of BBC co-production activity now is approximately equal between the cable networks and PBS.



The BBC certainly is looking to cultivate as much of the American TV market as it can, including a connection it has only occasionally made in the past: the three major broadcast networks. BBC's programming has never been considered synonymous with commercial TV and apart from a few co-productions with ABC, the big three U.S. broadcast networks have never appeared to be a fruitful field for the BBC to cultivate.

But Jack Masters is determined to change that and he thinks they may be looking to acquire fresh programming to replace the usual spate of summer reruns because of competitive pressure from the cable networks.

"With the broadcast networks, I hope we'll reach a point where we will sell them made-for-TV movies, sitcoms and the occasional miniseries," says Masters, who sees the potential for that during the upcoming TV season.

In the meantime, BBC will continue to work at serving its current American clients in both cable and public broadcasting. "Even though it's a quicker route to cable, it's not always the route we'll take because it's a very important to keep first-run quality programming for all our clients. So we must keep good programming for our PBS syndication pipeline as well," says Lionheart's Delia.

Lionheart looks at every possible variation in marketing product, with an eye toward staggered windows for PBS and cable, for example, to maximize the reach of its product.

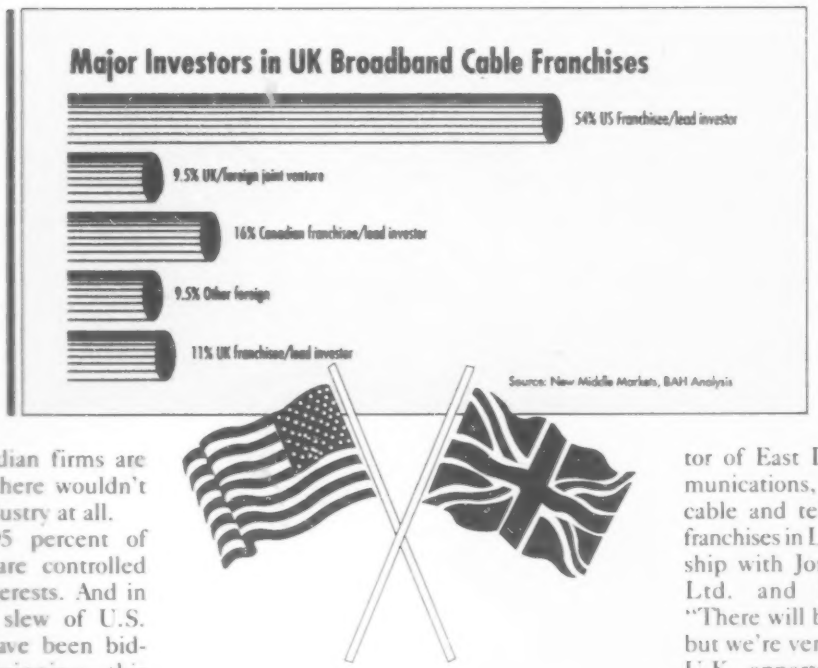
In licensed programming and co-productions, it is the consistency of BBC product that really gives it the reach to play well on both sides of the Atlantic. "Both marketplaces are looking for good stories of quality," Sarah Frank observes.

As the U.S. cable networks work at raising standards of programming, the BBC has become a vital source they will look to with increasing frequency in the future. ■

The Yanks Are Coming!

The U.K.'s hands-off approach to cable ownership has American operators lining up for franchises

By Larry Jaffee


Major Investors in UK Broadband Cable Franchises
54% US Franchisee/lead investor
9.5% UK/foreign joint venture
16% Canadian franchisee/lead investor
9.5% Other foreign
11% UK franchisee/lead investor
Source: New Middle Markets, BAH Analysis

American history usually teaches that if it weren't for the U.S., Great Britain would have lost World War II. When it comes to cable tv in the U.K., even the Brits admit that without North American investment (Canadian firms are big players too), there wouldn't be much of an industry at all.

A whopping 95 percent of U.K. franchises are controlled by non-British interests. And in the past year, a slew of U.S. cable operators have been bidding for—and winning—this latest round of franchises because the British government has recognized that American capital, not to mention its cable management expertise, is the best way to wire its 21 million tv homes.

But will American operators be able to duplicate their success in a country where the public has had only four tv channels and already pays annual taxes of $112 for each color set and $80 for each black and white set in order to support the BBC?

The U.S. players—including well-known names like Comcast, United, Jones, ATC, Telecable, U.S. Cable, Masada, Insight, Falcon and Leonard—maintain the risk is worth taking for several reasons. With their plants at home virtually built out and system acquisition prices apparently headed down from their peak of $3,000 per sub, American operators are looking for new opportunities to grow.

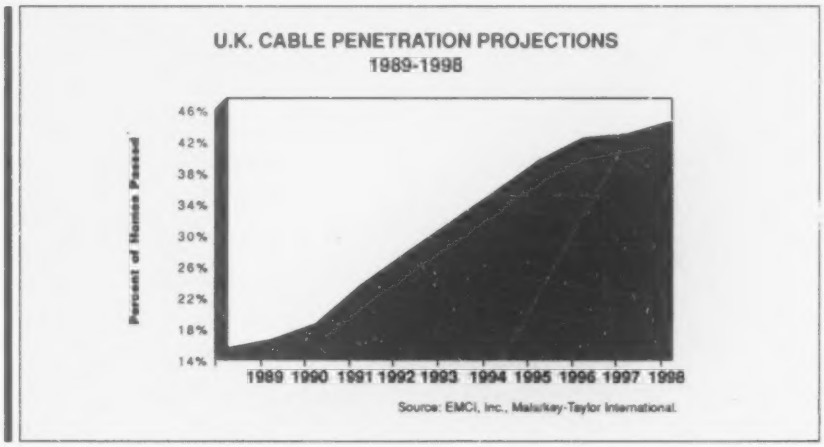
Back To the Good Ol' Days

"There are opportunities to get franchises for large cable systems of 100,000 to 200,000 subscribers. That's something that hasn't happened since the early 1980s," notes Mark Sena, senior vp of Communications Equity Associates, which has provided brokerage services in the market to U.S. and British entities since 1983, when the U.K. first became interested in promoting broadband cable systems.

"It's the most exciting place to be in the cable business," says Gerald Yutkin, managing director of East London Telecommunications, Ltd., which owns cable and telecommunications franchises in London in a partnership with Jones Cable Group, Ltd. and Pacific Telesis. "There will be ups and downs, but we're very optimistic about U.K. opportunities in the future," adds Yutkin, who reports to Jones in the U.S.

"It's fun to be involved," echoes Bruce Godfrey, vp of investment banking for Daniels & Associates, which has been engineering U.K. deals. "It's like jumping back to the U.S. in the mid-1970s in atmosphere and tone."

Robert Clasen, president of Comcast International, which has invested in systems being constructed in London, Birmingham and Cambridge, admits to "political and cultural differences" in doing business in the U.K. But an overriding commonality is that the prospective subscribers speak English, making



it easier for Comcast to draw on its American experience. "Once we've made the sale, people watch the programming," Clasen says.

The British market hasn't always sparked such excitement. Says Richard Woollam, director of the Cable Television Association, Britain's version of the NCTA, "For the first time in a year, I feel optimistic." He gleefully accepts U.S. participation in his industry, and concedes that there would not be an expanded cable industry in Britain had it not been for the recent American and Canadian investment. (Major Canadian players include Rogers, Videotron, Maclean Hunter, CUC Broadcasting, and Cablecasting.)

Woollam isn't expecting any overnight miracles now that there is capital available. "The U.S. has had 20 years to convince the people that they need multichannel tv," he notes.

Investment Restrictions Eased

Surprisingly, cable technology has existed in Britain since the time it was introduced in the U.S. British research for radio and tv signal distribution by wire first began in 1936, but the war halted progress and the first cable system wasn't installed until 1951. By 1966 more than 1 million households received their tv signals by cable, and by 1972 some 2.3 million did.

But an important distinction between the American and British cable industries is that until 1983, when the government relaxed investment restrictions and encouraged broadband cable, U.K. systems often delivered only one channel and at most four. (Ex-Beatle Ringo Starr invested in one of the first broadband systems, in his hometown of Liverpool.)

A few years ago, the government also for the first time allowed companies to depreciate capital expenses. "Previously we weren't able to take big write-offs," says Clasen, adding

April 1990

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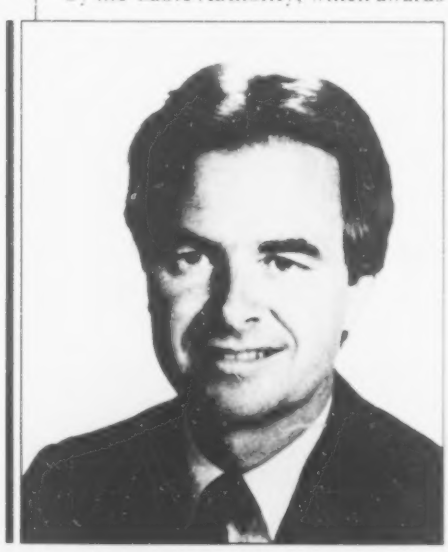
that Comcast was involved in one of the first broadband licenses in 1983 as a 20-percent partner in 10,000-home Ealing. The experience whetted Comcast's appetite, Clasen says, but the industry didn't take off until a year or two ago when market conditions, spurred in part by government reforms encouraging investment, began to change for the better.

By the end of this year, broadband franchises covering two-thirds of the country will already have been granted by the Cable Authority, which awards franchises based ideally on merit in a highly secretive, brief process that involves an elaborate written application/proposal, followed by a 90- to 120-minute in-person interview. The winner is announced several months later without explanation.



Despite political and cultural differences, "Once we've made the sale, people watch the programming," says Comcast's Robert Clasen.

Clasen finds the franchising process refreshing, but some in the business criticize it. The CTA's Woollam equated the process with flipping a coin. "You have to believe in its integrity because there's a disinterested third party deciding," Clasen says. He adds that, "eighty-five percent of the time the decision makes sense."

However, the CTA is being replaced by a new body, the Independent Television Commission, in January.

Laissez-Faire To Continue

In an effort to get all of the U.K. wired quickly, the ITC reportedly plans to award remaining franchises to companies willing to pay the highest amount to the government plus yearly franchise fees based on a percentage of revenue.

Woollam couldn't speculate about how high the price of the cash-bid franchises could go. But he's hopeful the amount will be reasonable. Meanwhile, the CTA is engaged in "delicate negotiations" with the government to insure the new process will be cable-friendly.

But Woollam predicts that only eight or nine franchise areas representing 300,000 households (of the 8 million left) will be hotly pursued in the competitive tender process because the premium areas have already been or shortly will be awarded. (Operators maintain it isn't worth wiring towns with fewer than 20,000 people with coaxial cable and Woollam forecasts these scattered markets most likely will be served by MMDS technology).

The ITC will take back franchises from current holders that haven't started building by year's end. So a tiny window of opportunity still exists in the next two months for American operators to hook up with nationals needing capital to get started. Otherwise, they'll have to chance their luck in the impending bidding wars.

"The Authority knows that there will be some trading going on," says G. Nicholas Mellersh, director of Malarkey-Taylor International, a cable consultant in Britain. "They're concerned with getting those systems built."

Had it not been for North American investors, the British cable industry wouldn't be much different than it was three years ago, Mellersh believes.

Although some other regulatory changes are expected in the broadcasting bill to be acted upon at year's end, franchising will remain in the hands of the federal government and not local authorities. Also not expected to change is Britain's policy that allows foreign investors to establish off-shore concerns and still own the company. It's important to note that the American and Canadian goldrush only began a few years ago when the government relaxed an investment restriction that capped foreign ownership in companies doing business in Britain at 20 percent.

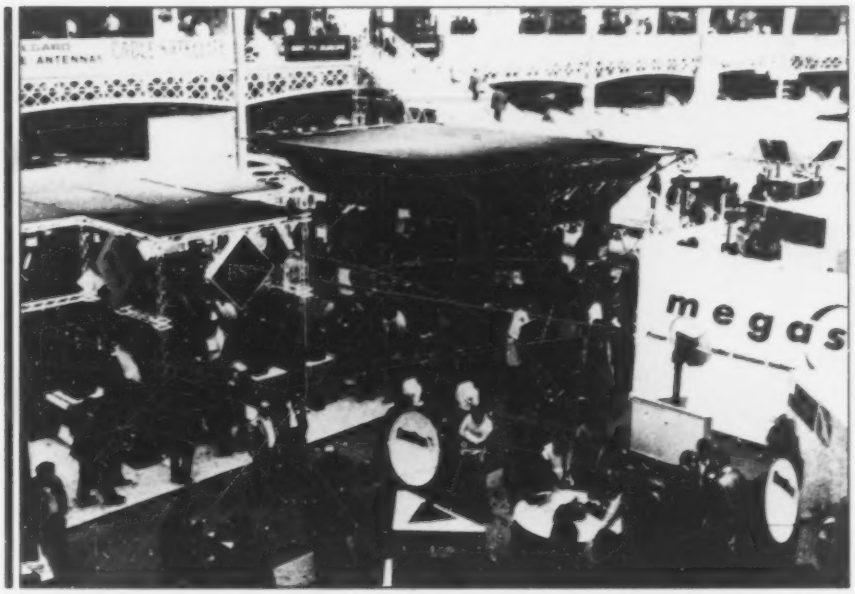
Although Prime Minister Margaret Thatcher's popularity is at an all-time low partly due to her disapproval of the 1992 European Community economic plan, it's unlikely that the Labor Party, should it come into power, dismantle the government's *laissez-faire* approach to cable.

Mellersh believes that if Labor wins, "things would certainly change but I don't think it would be disastrous. They've become much more pragmatic and realize that they can't win with a full-blown socialist platform." No matter which party wins, the country is facing much greater priorities, he notes, adding that "I certainly don't think cable is high on either party's list."

Perfect Timing

Operators rolling the dice in Britain may also benefit from fortuitous timing. Consumers there have been been primed for multichannel possibilities by the year-old Sky Television, a direct broadcast satellite service launched by Rupert Murdoch, and its just-launched competitor, British Satellite Broadcasting.

British operators are telling consumers that cable provides a better value for the pound and significantly more channels, including those offered by Sky and BSB, than the



American vendors doing business on the floor at the Cable Satellite '90 conference in London last month included: Jerrold, Scientific-Atlanta, CNN, MTV, Anixter and Texscan.

DTH (direct-to-home) services. The operators also point out that cable presents a one-time inconvenience to neighborhoods and that individual households don't need an unsightly dish, or two if they want both Sky and BSB.

North American investors have also been encouraged by Britain's 65-70 percent videocassette recorder penetration rate, demonstrating that the British public will pay for home entertainment, such as movies.

The growth opportunities are significant considering that at the beginning of 1990, only 600,000 households were passed by 14 broadband cable franchises serving only 86,000 subscribers. Since last year, Cable Authority has awarded 140 new franchises—many of which are now being built—passing 14 million homes.

Telco-Cable Experiment

With U.K. cable systems being designed and constructed from scratch, American players can take advantage of other revenue opportunities, such as telephony, which they might want to introduce in the U.S. if the British experience goes well.

In Britain, cable-telco crossownership isn't the thorny issue that it is here. In fact, Comcast and Jones have struck partnerships with Bell Operating Companies U.S. West and Pacific Telesis, respectively, to help construct, own and operate systems.

Along with providing video service, many of the franchise holders, such as Jones, are constructing systems that could also offer telephony for both business and residential markets. The country's mammoth telephone company, British Telecom, operates cable systems serving 55,000 of the country's total broadband system subscribers. But BT in February announced that it was divesting its cable holdings to concentrate on its core business.

Although telcos don't represent the enemy in the U.K. the way they do in the U.S., BT itself is mistrusted by U.K. cable operators for its alleged monopolistic practices. The government will review this fall its "duopoly" arrangement, which in 1981 opened up phone service competition to BT by allowing the creation of another company, Mercury Communications.

Mercury has been working with cable companies on developing their networks to offer business and residential telephony. If the duopoly is reinforced, more cable operators may consider providing phone service.

Meanwhile, cash-rich U.S. phone companies like PacTel, U.S. West, Southwestern Bell, NYNEX, as well as Bell Canada, are getting their feet wet in U.K. cable, an experience that could prove valuable should they be allowed into the business back home.

Getting Systems Built

Another magnet to American investors is the fact that much of the housing to be wired in the U.K. is high-density multiple dwelling units. On the other hand, government regulations call for virtually all of the wiring to be underground, a much more expensive proposition than aerial construction.

Also uncertain for American operators is the question of labor: they no doubt will have to import skilled technicians for many jobs. But new systems will create thousands of new positions for Britons in departments like marketing and customer service. As Peter Stremes, a native working as a marketing manager in the United corporate office, points out that although there is little resentment about Yanks managing cable in the U.K., it would be foolish for United to send arrogant Americans and their accents to sell cable door-to-door.

"We need their (Americans') expertise to get the thing going," Stremes says. "No one has done it before."

Stremes adds that there are some differences in approach to marketing cable in the U.K. For example, a cable company couldn't use doorhangers for marketing. "The police would say we're endangering people's lives by telling burglars that people aren't home. It would be a P.R. disaster."

The biggest challenge is to educate consumers about cable. "Thirty channels is beyond the comprehen-

sion of the average person," Stremes says. As a result, marketing materials and direct mail tend to be informative in nature, while door-to-door sales forces push individual channels.

Generally, the pricing structure is similar to the basic-plus-premium model that is all but universal in the U.S. At United's newbuild South London system, standard (basic service) costs £11.95 ($19.12) and includes CNN, MTV and sports channels, while premium movie and ethnic channels cost £5.95 or £7.95 a la carte. A dual combination of Sky Movies and Sky News costs £12.95 ($20.72).

DBS—Friend and Competitor

Although they compete directly with cable, the U.K.'s budding direct-to-home channels, Sky and BSB, have also proven to be excellent selling tools for cable, according to Stremes.

Comcast's Clasen agrees: "Sky and BSB have helped tremendously. I don't see them as competition." From a consumer point of view, cable clearly has advantages over direct-to-home, Clasen says, "but we're working cooperatively to help build the DTH business. That's nine great channels." (Comcast has also capitalized on the VCR's popularity by promoting cable programming on a 10-minute videotape).

Sky and BSB started their businesses with the intention of delivering their programming directly to consumers, but acceptance has been slow. A Sky spokesperson admits the company is losing about £2 million (about $3.2 million) a week. Consumers haven't jumped at the chance to buy dish-and-receiver systems for $500-$1,000, and also pay $10 per month for movie channels. Sky subsequently altered its business plan to rent the systems for a weekly fee of about $8.

Meanwhile cable systems, hungry for programming, distribute Sky's nine channels and BSB's five in affiliate arrangements similar to U.S. programmer/operator relationships. Systems pay Sky 15 pence (24 cents) per sub for each basic channel, and split revenues from the sale of premium movie services. Half of Sky's 1.1 million subscribers are distributed via cable systems.

It's all a matter of choice

BBC1, BBC2, ITV and Channel 4 put out some excellent programmes. And yet most of us still find ourselves saying – all too often, it seems – 'There's nothing on TV tonight.'

It's all a matter of choice – or lack of it!

And that's particularly true if you don't watch a lot of television. Because, when you *do* want to watch, you want to be sure there's something worth watching.

Cable television from United Artists Communications solves the problem. It brings to your home a really great choice of viewing options. Not only do you get the four usual channels, you also get *all* the satellite channels without the need to pay for and install unsightly dishes.

And then the choice goes on! Channels that provide twenty-four hour national and international news. The Discovery Channel that presents high quality, documentary programmes about life, the universe and everything. Channels that give you the opportunity to be present at

In promotional materials, United is targeting young families to be ideal cable subscribers.

"Cable has done well, but they would have a terrible problem without us," says Fiona Waters, a Sky spokeperson.

For the time being, the Sky and BSB programming is very valuable, but British operators anticipate the startups of cable-exclusive channels. In fact, a consortium of American MSOs-in-Britain is already developing them. "It's the vertical integration concept that works so great in the U.S.," says Clasen.

European versions of CNN, MTV, Bravo and Discovery are already offered by some British operators, and are paving the way for other American cable programmers.

U.K. Banks Not Enthusiastic

North American banks experienced at financing cable ventures in the U.S., such as Bank of Boston and Toronto Dominion, are warming up to backing British deals as well, especially since the prospect of re-regulation and a tightening of credit markets has slowed deal making in the U.S.

The banks' "initial interest" has lately turned into "keen interest," reports Jones' Yutkin. That's good news to Jones, which could spend as much as $1 billion constructing two systems passing 384,000 homes plus six franchises passing 630,000 homes the company is building with PacTel.

British banks don't share the North Americans' enthusiasm for cable, primarily because they are accustomed to investing on an asset basis. Because cable lending is typcially done on a cashflow basis, there is virtually no U.K. equity in the industry. "They really don't understand it," says CEA's Sena, who predicts that within the next 12-18 months, when penetrations have begun to rise, the City of London's financial community, "will realize what the business is all about."

Malarkey-Taylor's Mellersh points out that the British investment community "has missed the boat (on

> 'Daniels has had little problem finding investors for U.K. cable systems'
>
> *— Bruce Godfrey*

cable). They've had five years."

Some American financial players like Goldman Sachs and Prudential Bache have been awarded franchises in which they have taken lead equity positions themselves.

Since 1983, CEA has arranged financing for numerous cable deals in Scotland, Wales, England, Northern Ireland and Ireland. It has also helped Americans go to the U.K. to learn about the market and has paired them with local franchise holders in need of capital. In addition to providing brokerage services, CEA also provides investment banking for raising equity and debt.

Paine Webber has been CEA's biggest competitor for those kinds of services, but Daniels & Associates recently has become very active in the market, Sena notes.

Different Entry Strategies

As in the U.S., the new U.K. cable operations come in all flavors. Some of those under construction incorporate provisions for telephone service and are state-of-the-art switched fiber builds, while others are of the plain vanilla coaxial sort designed only to provide video.

The latter is the case with two rural franchises awarded to Leonard Communications on the southern coast of England, in Dorset and Thanet, passing 95,000 homes.

The systems, for which Daniels is raising $16 million in equity, will offer 25-30 channels and turn on their first subscribers in the fall. By the end of the first year, 20 percent of the franchise areas should be built, and by the fifth year, Daniels projects a subscriber penetration of 40 percent of homes passed.

Once subscribers are on board and cashflow is established, "we'll borrow more money to finish construction," says Daniels' Godfrey. A handful of cable-savvy institutional and individual limited partners who have invested in cable operations in the U.S. are backing the Leonard venture. For most of them, this marks the first time they've risked capital in the U.K. or Europe. Three U.K. banking institutions are also investing, but Godfrey declined to identify them.

Daniels has had little problem finding investors. "Plus or minus 5 percentage points on the rate of return— or even 10 points—has no influence on the decision to invest," Godfrey says. "Conceptually, they believe it will or it won't. I don't see people changing their mind very often."

Godfrey declines to reveal how much principal Roger Leonard is putting up himself, but admits the entrepreneur is providing "a significant piece of equity going in and carried interest on the backend."

Because most other American investors have gone after franchises in Britain's largest cities, "Leonard has had its pick of the smaller markets," explains Godfrey. "Roger (Leonard) wanted to bite off a deal of size and scope that could be managed effectively."

Insight Communications will soon close on its acquisition of the Glasgow, Scotland system, which is 50 percent built, from a partnership led by British publishing mogul Robert Maxwell. CEA represents the seller, in a transaction Sena calls "the most difficult ever" because of the differing interests of the three main partners and shareholders who have to be bought out.

Insight, which last fall put its 10 U.S. systems up for sale to help finance the U.K. move, decided to jump right into an already operating British system and not get bogged down by the franchising process.

In contrast, Comcast has sought to become partners with local entities that need financial help and management expertise but already have obtained franchises. For example, last month the company received permission to invest in as well as help build and develop the cable/telephone system in Birmingham, England's second largest city. The franchise encompasses approximately 460,000 homes and 40,000 businesses.

Comcast will invest $30-$40 million in equity over the next two years in three projects (Birmingham, London and Cambridge) representing 1 million homes, according to Clasen.

"We need Americans' expertise to get the thing going. No one has done it before," says United's Peter Stremos.

Opportunities for Locals

British entrepreneurs like Danny Thomas, who owns a construction company and a cable franchise he is building with American cable pioneer George Linderman, agrees that without the Yanks, there wouldn't be a British cable industry. "That's an absolute fact," maintains Thomas, who points out that during April's Cable Satellite Europe conference, he shook hands with not one British client. "They're all American," he says, citing as an example the fiber splicing he's doing for Anixter, one of a number of

U.S.-based hardware suppliers doing business in the U.K.

Other American vendors exhibiting at the conference included Jerrold, Scientific-Atlanta, C-Cor, Texscan Instruments, Toner Cable and Times Fiber Communications.

Dean DeBiase, president of Anixter International, which has served the U.K. market since the 1960s, says British franchise holders have been very receptive to introducing fiber optics in newbuilds. Anixter has also been promoting its ability to design fiber systems, he says, "as opposed to just pushing products."

Every product Anixter and other suppliers handle must be customized for the British market and tested differently because of a different signal standard (PAL instead of NTSC), as well as a different power supply and labelling stickers.

Britain is the most exciting place to be in the cable b usiness today, according to Jones' Gerald Yutkin.

30% Penetration Predicted

Manchester, the U.K.'s third largest city with 900,000 homes, is presently the object of desire by a handful of vying American players. In addition to a few local bidders, Time Warner (ATC); Masada/PacTel; Telecable; and US Cable/NYNEX have been interviewed by the CA, which must announce the winners in all outstanding franchises by the end of July.

Five different franchise areas within Manchester and Greater Manchester have been advertised, but it's unclear whether each bidder will end up with a piece or most of the area will go to one or two of the parties. Woollam notes that London originally was awarded to several different companies, but, as with many U.S. cities, some of the winners ultimately were bought out by stronger operators.

The competition underway in Manchester represents a far cry from two years ago when advertised franchises could attract as few as a single applicant.

With the influx of new construction, Malarkey-Taylor projects that the current cable penetration of approximately 15 percent of homes passed will rise to approximately 30 percent by 1993 and 43 percent by 1998.

Samuel Book, director of MT's research division, says those projections make no assumptions about how effective operators' marketing will be. But several factors—programming improvements and the market's very high density except in rural areas—suggest that once U.K. cable hits 30 percent penetration of homes passed it will be a profitable business.

"The government welcomes overseas investment, and is keen to see broadband cable prosper," sums up Eric Forth, the Parliamentary Under Secretary for Industry and Commerce. The official sees the government's role as creating more choice and providing a flexible framework to allow the business to prosper. "The acid test," he adds, however, "will come when the cable operators try to convert their promises into action." ■

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QUARTERLY EARNINGS CHART

Dollar amount in thousands

Company (Quarter/Fiscal Year)	Revenues	%Change	Operating Profit	%Change	Net Income	%Change
ATC (1st/90)	$ 266,447	12.6	$ 70,570	16.9	$ 26,802	23.5
C-Cor Electronics (3rd/90)	18,310	21.6	N.A.	N.A.	1,666	30.6
General Instrument (4th/90)	351,202	6.3	36,020	15.7	21,462	3.8
Jones Intercable Investors (4th/89)	8,225	13.3	3,014	5.2	- 3,157	- 10.7
RMS International (4th/89)	2,781	- 1.81	N.A.	N.A.	- 667	21.4
TCA Cable (1st/90)	26,965	32.1	6,731	18.7	851	- 70.4

whose sale price was kept confidential. State engaged **Daniels & Associates** to help complete matters.

• After one sale attempt went sour, **QVC Network** has finally made good on a pledge to divest its **C.O.M.B.** mail-order business unit. **Fingerhut**, the popular catalog merchant, will pay QVC $3.5 million in cash for C.O.M.B.'s assets, including inventories, tradename rights and customer records. The division's retail store chain, covering a number of Midwest locations, was not included in the deal. QVC had planned to turn those assets over to **Damark International**, but the agreement was terminated last month because several conditions were not met. C.O.M.B. fell in QVC's hands when the home shopping channel acquired rival **CVN** last October. CVN was created as a C.O.M.B. division four years ago, in association with **TCI**.

• **InterMedia Partners** picked up 18,000 subscribers residing in Gainesville and Hall County, GA after buying two systems from **UA Entertainment**. Terms of the transaction were not disclosed. InterMedia will operate the systems under its Melanie Cable Partners limited partnership.

• **Continental Cablevision** picked up another system in its home state by acquiring **Colonial Cablevision** of Revere, MA, which has 13,250 subscribers. Two months earlier, Colonial sold its Milford, MA system to Continental, involving about 6,850 households. The combined transaction went for more than $3,000 per sub at a total price of $60-62 million. **Communications Equity Associates** handled the sale for Colonial.

• **Warner Cable** is selling its systems in Bulan, Manchester and Williamsburg, KY. Together, the systems serve some 9,500 subscribers. Warner picked **Daniels & Associates** as sale representative.

• **Friendship Cable** will put its Balch Springs, Royce City and Terrell, TX systems up for sale. About 8,000 homes are covered by the three properties. ■

April 1990

This announcement appears as a matter of record only.

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DATABASE

Announced Services

Satellite-fed services	Expected launch
American Western Network	2nd Quarter 1990
American Trial Network	4th Quarter 1990
The Asia Network	2nd Quarter 1990
Career Channel Network	11/90
Career TV Network	10/90
The Chiller Channel	4th Quarter 1990
Cowboy TV Network	11/90
Digital Cable Radio	2nd Quarter 1990
Digital Radio Channel	6/90
DMX/Digital Music Express (formerly CD/18: The Digital Music Network)	4th Quarter 1990
The Food Channel	1991-92
The Gaming Network	9/90
The Global Channel	2nd Quarter 1990
Global Village Network	1991
The How-To Channel	1st Quarter 1991
In Court	9/90
International Channel	7/90
Maximum Entertainment Network	3/91
Music Image Channel	11/90
The Sci-Fi Channel	12/90
The Syndex Channel	1990
Talk Television	1990

Non satellite-fed services	Expected launch
ACTV	4th Quarter 1990
Main Street	1991

Pay-Per-View Services Profile

	LAUNCH	DELIVERY	ENCRYPTION	PROGRAMMING	SYSTEMS	ADDRESSABLE SUBSCRIBERS
Cable Video Store	April 1, 1986	Galaxy III, tr.5	VideoCipher II	Movies, how-to's, special events.	150	1,100,000
Drive-In Cinema (Graff PPV)	July 1, 1989	Spacenet II tr.1	VideoCipher II	Action/comedy/horror films	10	500,000
Playboy At Night	September 1, 1987	Satcom IV, tr.24	VideoCipher II	Original Playboy programs and adult motion pictures.	100	3,000,000
Rendezvous (Graff PPV)	July 1, 1989	Spacenet II, tr.2	VideoCipher II	Adult entertainment movies & specials.	20	1,100,000
Request Television	November 27, 1985	R-1: Satcom III-R, tr.19 R-2: Satcom III-R, tr.24	VideoCipher II	Two channels offering movies and special events	368	6,100,000
Tuxxedo Network	December 1, 1987	Galaxy II, tr. 10	VideoCipher II	Adult movies and special events.	28	1,000,000
Viewer's Choice	November 26, 1985	VC-1: Galaxy III, tr. 21, VC-2: Galaxy III, tr. 16	VideoCipher II	Two channels of movies and special events	300	6,300,000

TV Household Profile

	ADULTS IN TV HOUSEHOLDS	%	MEN IN TV HOMES	%	WOMEN IN TV HOMES	%
TOTAL U.S. POPULATION	180,974,000	100	86,307,000	100	94,667,000	100
BASIC CABLE	97,144,000	53.7	47,034,000	54.5	50,110,000	52.9
PAY CABLE	52,866,000	29.2	26,711,000	30.9	26,155,000	27.6

MEDIAN AGE	TOTAL	MEN	WOMEN
ALL HOMES	40.8	39.9	41.7
BASIC CABLE	40.4	39.8	41.0
PAY CABLE	37.7	37.5	37.9

MEDIAN HOUSEHOLD INCOME	TOTAL	MEN	WOMEN
ALL HOMES	$31,717	$33,829	$29,538
BASIC CABLE	36,372	38,746	33,790
PAY CABLE	40,111	41,534	38,579

Source: Mediamark Research: estimates as of 1/90

Top 100 MSO's

Rank		Multiple system operator	Basic subs	
	1.	Tele-Communications Inc.	6,902,535	(5/90)
	2.	American Television & Communications Corp.	4,300,000	(12/89)
	3.	UA Entertainment	2,592,000	(2/90)
	4.	Continental Cablevision	2,525,000	(1/90)
	5.	Warner Cable Communications	1,750,000	(3/90)
	6.	Cox Cable Communications	1,555,213	(1/90)
	7.	Comcast	1,535,000	(1/90)
	8.	Storer Cable Communications	1,530,000	(1/90)
	9.	Cablevision Systems	1,474,680	(3/90)
	10.	Jones Intercable/Spacelink	1,428,846	(4/90)
	11.	Newhouse Broadcasting	1,200,000	(11/89)
(13)	12.	Times Mirror Cable TV	1,082,000	(2/90)
(14)	13.	Cablevision Industries	1,044,396	(3/90)
(12)	14.	Heritage Communications	1,042,345	(3/90)
	15.	Viacom Cable	1,016,000	(2/90)
	16.	Sammons Communications	873,590	(1/90)
	17.	Century Communications	825,000	(2/90)
	18.	Adelphia Communications	817,000	(3/90)
	19.	Paragon Communications	764,734	(1/90)
	20.	Falcon Cable TV	700,000	(10/89)
	21.	Cooke Cablevision	591,032	(12/89)
	22.	Telesable	584,552	(1/90)
(24)	23.	Scripps-Howard	540,000	(1/90)
(23)	24.	KBLCOM	530,732	(3/90)
	25.	Multivision Cable TV	499,491	(1/90)
	26.	Tele-Media	475,163	(9/89)
	27.	Prime Cable	468,822	(1/90)
	28.	Lenfest Group	457,866	(3/90)
	29.	Maclean Hunter Cable TV	437,500	(1/90)
	30.	Post-Newsweek Cable	413,213	(1/90)
	31.	Cencom Cable	410,000	(11/89)
	32.	TCA Group	405,000	(1/90)
	33.	Multimedia Cablevision	329,902	(1/90)
	34.	Colony Communications	327,924	(1/90)
	35.	Simmons Communications	315,000	(12/89)
	36.	Rifkin & Associates	312,700	(1/90)
	37.	TKR Cable	293,212	(2/90)
	38.	Western Communications	287,800	(1/90)
	39.	Triax Communications	279,612	(1/90)
(41)	40.	Hauser Communications	248,100	(4/90)
(40)	41.	Star Cablevision Group	240,096	(6/89)
	42.	Service Electric Cable TV Inc.	220,000	(1/90)
	43.	Greater Media	205,000	(9/89)
	44.	King Videocable	193,413	(1/90)
(49)	45.	Insight Communications	192,500	(4/90)
(45)	46.	Columbia International	191,000	(3/90)
(46)	47.	Sutton Capital	189,179	(9/89)
(47)	48.	Harron Communications	187,000	(4/90)
(48)	49.	Media General	181,785	(1/90)
	50.	C-Tec Cable Systems	180,311	(3/90)
	51.	U.S. Cable Corp.	172,500	(1/90)
	52.	Palmer Communications	169,059	(1/90)
	53.	Armstrong Utilities	153,902	(1/90)
	54.	Northland Communications	141,398	(11/89)
	55.	Summit Communications	141,000	(10/89)
	56.	Bresnan Communications	129,780	(1/90)
	57.	Booth Communications	125,437	(1/90)
	58.	McDonald Group	125,000	(1/90)
(67)	59.	Chambers Communications	118,100	(5/90)
(59)	60.	Susquehanna Broadcasting	117,109	(1/90)
(60)	61.	United Video Management	117,000	(1/90)
(61)	62.	Pencor Services	108,564	(1/90)
(62)	63.	Sonic Communications	97,837	(12/89)
(63)	64.	Midcontinent Cable Systems Co.	95,550	(6/89)
(64)	65.	WEHCO Video	95,666	(1/90)
(65)	66.	First Carolina Communications	94,253	(1/90)
(66)	67.	Gilbert Media	93,000	(1/90)
	68.	Coaxial Communications	83,300	(5/89)
	69.	Barden Cablevision	79,783	(1/90)
	70.	InterMedia Partners	78,000	(3/90)
	71.	James Cable Partners	76,756	(1/90)
	72.	Mission Cable	74,223	(1/90)
	73.	Douglas Communications	72,400	(1/90)
	74.	Leonard Communications	66,000	(2/90)
	75.	Fanch Communications	65,000	(1/90)
	76.	Cardinal Comunications	61,287	(1/90)
	77.	Omega Communications	60,000	(8/89)
	78.	Helicon Corp.	60,000	(1/90)
	79.	Telesat Cablevision Inc.	57,235	(6/89)
	80.	Galaxy Cablevision	56,489	(2/90)
(82)	81.	Prestige Cable TV Inc.	52,774	(1/90)
(83)	82.	New England Cablevision	52,409	(1/90)
(84)	83.	Masada Corp.	52,000	(2/90)
(85)	84.	Star Cable Associates	51,875	(2/90)
(86)	85.	Rock Associates	49,053	(1/90)
(87)	86.	Donrey Media Group	49,040	(12/89)
(88)	87.	Cable America Corp.	48,130	(3/90)
(89)	88.	Republic Communications Corp.	47,000	(1/90)
(97)	89.	Ravstay Co.	45,241	(3/90)
	90.	Amzak Cable	45,125	(3/90)
	91.	360 Corp.	45,000	(5/89)
	92.	CableSouth Inc.	43,420	(10/89)
	93.	Cable Holdings Inc.	43,135	(10/89)
	94.	Vista Communications	41,962	(1/90)
	95.	Eastern Connecticut Cable TV	41,820	(6/89)
(new)	96.	National Cable Ltd.	41,300	(4/90)
	97.	C4 Media	41,275	(7/89)
	98.	Acton Corp.	40,400	(3/89)
	99.	Schurz Communications	40,078	(8/89)
	100.	Benchmark Communications	38,000	(1/90)

( ) Rank last listing

Subscriber counts are provided by MSOs and systems to Cable Vision. *Figures will be updated quarterly unless information is provided by MSOs or systems. Send updates to Cable Stats, 345 Park Avenue So., 9th Floor, New York, NY 10010.*

Top 100 Systems

Rank	Location	Operator	Basic subs	
1.	Long Island, NY	Cablevision Systems	523,502	(3/90)
2.	Orlando/Central Complex, FL	ATC	420,000	(1/90)
3.	San Diego, CA	Cox Cable	310,740	(3/90)
4.	Phoenix, AZ	Times Mirror	287,240	(2/90)
5.	Manhattan, NY	ATC	245,000	(5/90)
6.	Puget Sound, WA	Viacom	234,200	(1/90)
7.	San Antonio, TX	KBLCOM	223,789	(3/90)
8.	East Orange, NJ	Maclean Hunter	217,000	(3/90)
9.	Honolulu, HI	ATC	209,000	(1/90)
10.	Brooklyn/Queens, NY	ATC/Warner	200,000	(5/90)
11.	Houston, TX	Warner	183,000	(3/90)
12.	Chicago Suburbs, IL	Continental	181,537	(9/89)
13.	Wayne, NJ	UA Entertainment	180,746	(3/90)
14.	Atlanta, GA	Prime Cable	176,711	(4/90)
15.	Rochester, NY	ATC	174,000	(1/90)
16.	Cherry Hill, NJ	Garden State Cable	172,799	(4/90)
17.	Cincinnati, OH	Warner	171,860	(4/90)
18.	Hampton Roads, VA	Cox Cable	170,206	(3/90)
19.	Louisville/Jeff. Co., KY	Storer Communications	170,000	(8/89)
20.	Chicago, IL	TCI	169,608	(3/90)
21.	Cleveland, OH	Cablevision Systems	168,773	(2/90)
22.	Fairfax, VA	Media General	164,519	(6/89)
23.	Connecticut Complex	Cablevision Systems	163,084	(2/90)
24.	Hartford/Plainville/Vernon, CT	UA Entertainment	161,075	(3/90)
25.	Montgomery County, MD/ Arlington, VA	Hauser	159,500	(4/90)
26.	Kansas City, MO	ATC	159,000	(1/90)
27.	Jacksonville, FL	Continental Cablevision	154,600	(5/89)
28.	Baltimore County, MD	Comcast	151,000	(4/90)
29.	Manhattan, NY	Paragon	150,885	(4/90)
30.	San Jose/Campbell, CA	Heritage	149,197	(3/90)
31.	Denver (suburbs), CO	UA Entertainment	148,167	(3/90)
32.	Memphis/W. Memphis, TN	ATC	147,000	(1/90)
33.	Tulsa, OK	UA Entertainment	145,738	(3/90)
34.	Charlotte, NC	ATC	145,000	(1/90)
35.	San Francisco, CA	Viacom	141,600	(1/90)
36.	Pompano, FL	Continental	140,084	(9/89)
37.	Buffalo, NY	Adelphia Communications	139,515	(8/89)
38.	San Diego, CA	ATC	135,300	(11/89)
39.	St. Louis, MO	Cencom	135,230	(6/89)
40.	Las Vegas, NV	Prime Cable	132,878	(4/90)
41.	Seattle, WA	TCI	131,315	(3/90)
42.	Austin, TX	ATC	128,000	(1/90)
43.	Chicago Suburbs, IL	Jones	126,000	(2/90)
44.	Warren, NJ	TKR	124,000	(2/90)
45.	Tacoma, WA	Viacom	120,700	(1/90)
46.	Raleigh/Durham, NC	ATC	120,000	(1/90)
47.	Wilmington, DE	Heritage	116,666	(3/90)
48.	San Diego County, CA	Times Mirror	115,884	(2/90)
49.	Southeast Michigan	Comcast	115,006	(4/90)
50.	Finellas County, FL	Newhouse	114,000	(6/89)
51.	Grand Rapids, MI	UA Entertainment	113,119	(3/90)
52.	Hillsborough/Tampa, FL	Paragon	112,103	(1/90)
53.	Indianapolis, IN	Comcast	112,000	(4/90)
54.	Orange County, LA	Times Mirror	111,506	(2/90)
55.	Toledo, OH	Blade Communications	110,785	(5/89)
56.	Dallas, TX	TCI	110,000	(3/90)
57.	Jefferson Parish/Kenner, LA	Cox Cable	107,639	(3/90)
58.	Boston/Brookline, MA	Cablevision Systems	106,346	(2/90)
59.	San Juan, PR	Multivision Cable	106,046	(6/89)
60.	Nashville, TN	Viacom	105,400	(1/90)
61.	Chicago, IL	Group W	104,000	(3/90)
62.	Richmond, VA	Continental	102,121	(10/89)
63.	Jackson, MS	ATC	101,000	(1/90)
64.	Pittsburgh, PA	TCI	99,187	(3/90)
65.	Columbus, OH	Warner	98,000	(3/90)
66.	Monmouth, NJ	Sutton Capital	97,579	(9/89)
67.	Greensboro, NC	ATC	97,000	(1/90)
68.	Reading, PA	ATC	96,000	(1/90)
69.	St. Petersburg, FL	Paragon	95,412	(2/89)
70.	Naples, FL	Palmer	94,450	(6/89)
71.	Worcester Complex, MA	Greater Media	94,897	(9/89)
72.	Portland, OR	KBLCOM	91,743	(3/90)
73.	Fresno, CA	Continental	91,253	(4/90)
74.	Albuquerque, NM	Jones Intercable	91,205	(12/89)
75.	Dade/Broward County, FL	Storer	90,000	(8/89)
76.	Wichita, KS	Multimedia	88,732	(9/89)
77.	Independence,MO	Jones	88,628	(8/89)
78.	Minneapolis/St. Paul suburbs, MN	Hauser	88,600	(4/90)
79.	Houston Suburbs, TX	Prime Cable	88,388	(4/90)
80.	Fayetteville, NC	ATC	87,000	(1/90)
81.	Milwaukee, WI	Warner	87,000	(3/90)
82.	South Bend, IN	Heritage	87,000	(3/90)
83.	Tucson, AZ	Cooke	86,976	(8/89)
84.	Akron, OH	Warner	86,000	(9/89)
85.	Toms River, NJ	Adelphia	85,826	(2/90)
86.	Baton Rouge, LA	UA Entertainment	85,476	(3/90)
87.	Harrisburg, PA	Sammons	85,200	(8/89)
88.	Orange County, CA	KBLCOM	85,182	(3/90)
89.	Dover/Morristown, NJ	Sammons	84,640	(8/89)
90.	Medford, MA	Warner	83,000	(3/90)
91.	W. San Fernando Valley, CA	CV Industries	82,967	(2/90)
92.	Buffalo, NY	TCI	82,629	(3/90)
93.	New Orleans, LA	Cox Cable	81,721	(3/90)
94.	Oklahoma City, OK	Cox Cable	81,404	(3/90)
95.	Lincoln, RI	Heritage	80,949	(3/90)
96.	Providence/Warwick, RI	Times Mirror	80,523	(2/90)
97.	Harlington, TX	Heritage	79,794	(3/90)
98.	Columbia, SC	CV Industries	78,818	(2/90)
99.	Baltimore, MD	UA Entertainment	78,164	(3/90)
100.	Omaha, NE	Cox Cable	78,120	(3/90)

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Rate controls would dent, not cripple, cable profits; 45% predict reregulation

By Kathy Haley

Half the cable industry believes a return to rate regulation would hurt profitability, but not substantially. And 84 percent of operators surveyed by The Cable Poll™ also believe rate controls would figure into any reregulation of their industry likely to be enacted in the near future.

According to The Cable Poll™, nearly half of the cable industry (45 percent) expects Congress to reregulate its business by the end of this year. Slightly fewer (41 percent) predict reregulation won't occur in 1990. As it turns out, the latter group will probably prove to be right. More pressing issues facing the House and Senate have postponed the Congressional timetable for reregulating cable, so that legislation is now more likely to occur sometime next year.

Number 5 in a series of eight

Only 13 percent of the 396 system managers surveyed by Cable Poll™ predict that cable reregulation will not include rate controls. This opinion held true, generally, at small, medium and large systems: 18 percent of operators at systems serving fewer than 10,000 subs believe rate controls will not return; 7 percent of those at systems with between 10,000 and 50,000 subs agree and 13 percent of those at systems serving more than 50,000 subs also concur.

Operators are less in agreement on the issue of whether rate controls should be handled at the local, state or federal level. Forty-nine percent of the respondents want rate regulation put in the hands of federal lawmakers. Nearly one-third (29 percent) desire rates controlled at the local level and 18 percent say they would prefer state regulation. Generally, smaller operators are more open to the idea of local regulation, while larger operators vastly prefer national controls.

While 41 percent of operators at systems with fewer than 10,000 subs say they'd prefer national rate regulation (if they have to be regulated at all), 37 percent of the same group would opt for local control. Twenty percent of the smaller operators would prefer state regulation. At systems serving between 10,000 and 50,000 subs, 60 percent of respondents want rates controlled federally; 23 percent want local control and 15 percent want state control.

Operators serving more than 50,000 subs overwhelmingly prefer federal rate control, with 75 percent of respondents choosing that option and none choosing local control. Seventeen percent of the larger operators prefer state control.

Medium-sized operators appear to fear the impact rate controls would have on their bottom lines slightly more than do small or large operators. Sixty percent of medium-sized ops say controls would hurt profitability, but not a lot, while 44 percent of small operators and 56 percent of large operators agree. Fifteen percent of the medium-sized operators feel rate controls would have a "major negative impact on profits." Concurring with them are 12 percent of smaller operators and 13 percent of the largest operators.

More than one-third (36 percent) of small operators maintain rate controls would "not hurt" their systems' profits. Twenty percent of medium-sized operators and 22 percent of large operators agree.

Does you believe that new regulations will include rate control?

	Total	Less 10K	10K -50K	Over 50K
Total	178	95	59	15
Yes	84%	80%	90%	80%
No	13%	18%	7%	13%
Don't Know	3%	2%	3%	7%

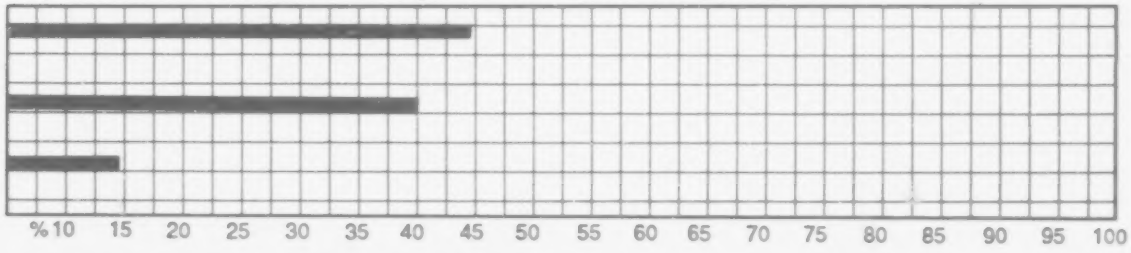
If Congress does enact regulations with rate controls, which of the following do you believe will apply tc your system?

	Total	Less 10K	10K -50K	Over 50K
Total	396	203	137	32
Yes	14%	12%	15%	13%
No	50%	44%	60%	56%
Don't Know	20%	36%	20%	22%

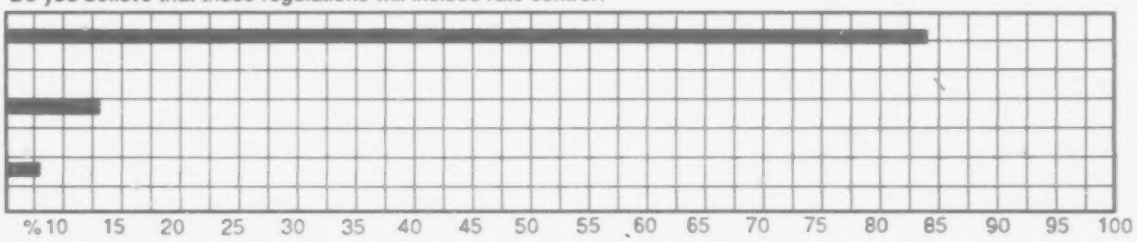
HOW THE POLL WAS CONDUCTED: The Cable Poll™ is conducted for Midwest CATV and *CableVision* magazine by Ryan/Samples Research Inc. Telephone interviews for this edition of the poll were conducted Feb. 1-15 with a random sample of 396 system management personnel obtained from CableFile Research. Cable Poll™ researchers are 95 percent confident that the results are an accurate reflection of the total industry within plus or minus 5 percentage points.

Adding up your answers:

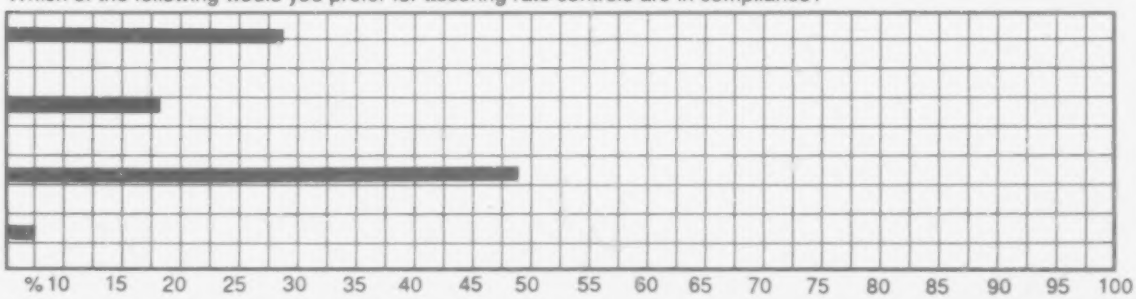
Do you believe that Congress will enact regulations for the cable industry during 1990?



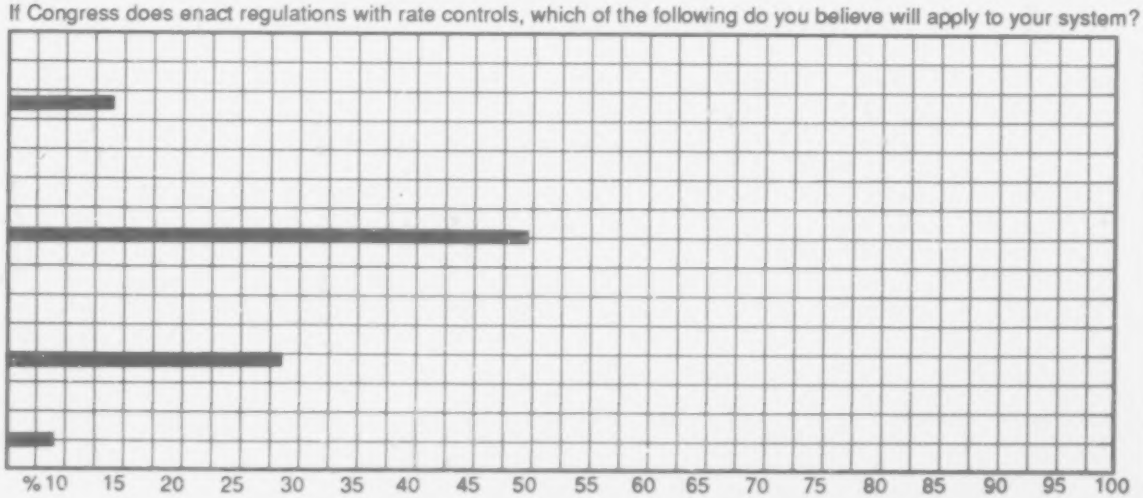
Do you believe that those regulations will include rate control?



Which of the following would you prefer for assuring rate controls are in compliance?



If Congress does enact regulations with rate controls, which of the following do you believe will apply to your system?


A major negative impact on our profitability
Hurt profitability, but not substantially
Will not hurt the profitability of my system
Dk/Na
%10 15 20 25 30 35 40 45 50 55 60 65 70 75 80 85 90 95 100

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